

WOODS CROSS CITY CORPORATION

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2005

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PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Roger B. Pinnock, CPA
Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
Janis R. Kline, CPA
James R. Beaudoin, PFS, CFP, CPA

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the City Council
Woods Cross City Corporation
Woods Cross City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Woods Cross City Corporation, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Woods Cross City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Woods Cross City Corporation, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of Woods Cross City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 6 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woods Cross City Corporation's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pinnock, Robbins, Posey & Richins

September 23, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2005

As management of Woods Cross City Corporation, we offer readers of the Woods Cross City financial statements this narrative overview and analysis of the financial activities of Woods Cross City for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of Woods Cross City exceeded its liabilities at the close of the most recent fiscal year by \$25,272,052 (net assets). Of this amount, \$2,920,700 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$2,411,521. Approximately 86% of this total amount, \$2,064,137, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$599,548, or 17% of total general fund expenditures.
- Woods Cross City's total bonded debt decreased by \$233,000 (25%) during the current fiscal year.

Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to Woods Cross City's basic financial statements. Woods Cross City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Woods Cross City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of Woods Cross City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Woods Cross City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Woods Cross City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Woods Cross City include general

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

government, public safety, highways and public works, and parks and recreation. The business-type activities of Woods Cross City include a Water Utility Fund, Garbage Utility Fund, and Storm Drain Fund.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Woods Cross City, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Woods Cross City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Woods Cross City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Redevelopment Agency Fund, both of which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Woods Cross City adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Woods Cross City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Woods Cross City uses enterprise funds to account for its Water Utility, Garbage Utility, and Storm Drain Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, Garbage Utility, and Storm Drain Funds, all of which are considered to be major funds of Woods Cross City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Woods Cross City, assets exceeded liabilities by \$25,272,052 at the close of the most recent fiscal year.

By far the largest portion of Woods Cross City's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Woods Cross City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Woods Cross City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 3,722,412	\$ 3,766,510	\$ 1,210,988	\$ 1,224,813	\$ 4,933,400	\$ 4,991,323
Capital assets	<u>16,968,956</u>	<u>16,432,508</u>	<u>5,239,305</u>	<u>5,145,612</u>	<u>22,208,261</u>	<u>21,578,120</u>
Total assets	<u>\$20,691,368</u>	<u>\$20,199,018</u>	<u>\$ 6,450,293</u>	<u>\$ 6,370,425</u>	<u>\$27,141,661</u>	<u>\$26,569,443</u>
Other liabilities	\$ 995,245	\$ 1,026,319	\$ 373,917	\$ 366,640	\$ 1,369,162	\$ 1,392,959
Long-term liabilities outstanding	<u>47,447</u>	<u>39,286</u>	<u>453,000</u>	<u>686,534</u>	<u>500,447</u>	<u>725,820</u>
Total liabilities	<u>\$ 1,042,692</u>	<u>\$ 1,065,605</u>	<u>\$ 826,917</u>	<u>\$ 1,053,174</u>	<u>\$ 1,869,609</u>	<u>\$ 2,118,779</u>
Net assets:						
Invested in capital assets, of related debt	\$16,968,956	\$16,432,508	\$ 4,552,771	\$ 4,226,078	\$21,521,727	\$20,658,586
Restricted	347,384	265,442	482,241	354,231	829,625	619,673
Unrestricted	<u>2,332,336</u>	<u>2,435,463</u>	<u>588,364</u>	<u>736,942</u>	<u>2,920,700</u>	<u>3,172,405</u>
Total net assets (as restated)	<u>\$19,648,676</u>	<u>\$19,133,413</u>	<u>\$ 5,623,376</u>	<u>\$ 5,317,251</u>	<u>\$25,272,052</u>	<u>\$24,450,664</u>

An additional portion of Woods Cross City's net assets (\$829,625) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,920,700) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Woods Cross City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased Woods Cross City's net assets by \$515,263, thereby accounting for 62.73% of the total growth in the net assets of Woods Cross City. The increase in net assets is due mainly to increases in revenues. Key elements are as follows:

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 789,817	\$ 874,749	\$ 1,139,973	\$ 1,101,537	\$ 1,929,790	\$ 1,976,286
Operating grants and contributions	255,878	310,704	—	—	255,878	310,704
Capital grants and contributions	775,342	267,664	179,231	113,574	954,573	381,238
General revenues:						
Property taxes	909,768	875,261	—	—	909,768	875,261
General sales and use tax	1,731,165	1,647,482	—	—	1,731,165	1,647,482
Franchise tax	9,197	7,807	—	—	9,197	7,807
Highway tax	24,710	24,382	—	—	24,710	24,382
Telecommunications tax	57,911	—	—	—	57,911	—
Unrestricted investment earnings	60,049	37,494	24,788	16,406	84,837	53,900
Other	10,664	89,894	—	—	10,664	89,894
Total revenues	<u>4,624,501</u>	<u>4,135,437</u>	<u>1,343,992</u>	<u>1,231,517</u>	<u>5,968,493</u>	<u>5,366,954</u>
Expenses:						
General government	983,122	1,081,585	—	—	983,122	1,081,585
Public safety	1,566,424	1,440,761	—	—	1,566,424	1,440,761
Highways and public works	1,309,168	1,020,991	—	—	1,309,168	1,020,991
Parks and recreation	281,019	243,031	—	—	281,019	243,031
Interest on long-term debt	6,503	8,409	—	—	6,503	8,409
Garbage Utility	—	—	401,982	404,352	401,982	404,352
Water Utility	—	—	588,581	554,058	588,581	554,058
Storm Drain	—	—	10,306	—	10,306	—
Total expenses	<u>4,146,236</u>	<u>3,794,777</u>	<u>1,000,869</u>	<u>958,410</u>	<u>5,147,105</u>	<u>4,753,187</u>
Increase in net assets before transfers	478,265	340,660	343,123	273,107	821,388	613,767
Transfers	<u>36,998</u>	<u>—</u>	<u>(36,998)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increase in net assets	515,263	340,660	306,125	273,107	821,388	613,767
Net assets - beginning (as restated)	<u>19,133,413</u>	<u>18,792,753</u>	<u>5,317,251</u>	<u>5,044,144</u>	<u>24,450,664</u>	<u>23,836,897</u>
Net assets - ending	<u>\$19,648,676</u>	<u>\$19,133,413</u>	<u>\$ 5,623,376</u>	<u>\$ 5,317,251</u>	<u>\$25,272,052</u>	<u>\$24,450,664</u>

- Total revenues increased by \$601,539 (11%).
- The increase in revenue is mainly due to growth and development in the City. Property taxes increased by \$34,507 and other revenues increased by \$567,032.
- Operating and capital grants increased by a total of \$518,509. This increase is also attributed to development in the City.

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Expense and Program Revenue – Governmental Activities

	<u>Expense</u>	<u>Program Revenue</u>	<u>Net Governmental Activities</u>
General government	\$ 983,122	\$ 371,292	\$ (611,830)
Public safety	1,566,424	365,718	(1,200,706)
Highways and public works	1,309,168	985,363	(323,805)
Parks and recreation	281,019	98,664	(182,355)
Interest on long-term debt	<u>6,503</u>	<u>—</u>	<u>(6,503)</u>
Total Governmental Activities	<u>\$ 4,146,236</u>	<u>\$ 1,821,037</u>	<u>(2,325,199)</u>

General revenues:

Property taxes	909,768
General sales and use tax	1,731,165
Franchise tax	9,197
Highway tax	24,710
Telecommunications tax	57,911
Unrestricted investment earnings	60,049
Miscellaneous	10,664
Transfers	<u>36,998</u>

TOTAL GENERAL REVENUES AND TRANSFERS 2,840,462

CHANGE IN NET ASSETS 515,263

NET ASSETS - BEGINNING (AS RESTATED) 19,133,413

NET ASSETS - ENDING \$ 19,648,676

Business-type activities. Business-type activities increased Woods Cross City's net assets by \$306,125, thereby accounting for 37.27% of the total growth in the net assets of the City. As of the end of the current fiscal year, all of the City's business-type funds reported positive net assets. Key elements of this increase are as follows:

- The water fund received \$179,231 of contributed water lines from developers resulting in the increase in capital grants and contributions during the year.
- The increase in charges for service of \$38,436 is due mainly to an increase in City growth.

Expenses and Program Revenues – Business-type Activities

	<u>Expense</u>	<u>Program Revenue</u>	<u>Net Business-type Activities</u>
Garbage Utility	\$ 401,982	\$ 437,442	\$ 35,460
Water Utility	588,581	797,990	209,409
Storm Drain	<u>10,306</u>	<u>83,772</u>	<u>73,466</u>
TOTAL	<u>\$ 1,000,869</u>	<u>\$ 1,319,204</u>	<u>\$ 318,335</u>

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

As noted earlier, Woods Cross City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Woods Cross City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Woods Cross City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$2,411,521. Approximately 86% of this total amount or \$2,064,137 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of Woods Cross City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$599,548, while total fund balance reached \$689,209. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17% of total general fund expenditures, while total fund balance represents 20% of that amount.

The fund balance of Woods Cross City's general fund decreased by \$158,118 during the current fiscal year.

Proprietary funds. Woods Cross City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to \$481,067, for the Garbage Utility Fund, unrestricted net assets amounted to \$70,707, and for the Storm Drain Fund, unrestricted net assets amounted to \$36,590.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor (\$12,100 decrease in appropriations) or .3% of the original expenditure budget.

Capital Assets and Debt Administration

Capital assets. Woods Cross City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$22,208,261 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The total increase in Woods Cross City's investment in capital assets for the current fiscal year was \$630,141.

Major capital asset events during the current fiscal year included the following:

- The purchase of land and construction of a parking lot south of the City Hall.
- Construction of roadways, sidewalks, and storm drains in various subdivisions.

WOODS CROSS CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 7,713,652	\$ 7,400,366	\$ 69,652	\$ 69,652	\$ 7,783,304	\$ 7,470,018
Buildings	1,005,470	1,033,302	—	—	1,005,470	1,033,302
Improvements	1,614,956	1,428,651	4,795,454	4,681,979	6,410,410	6,110,630
Machinery and equipment	481,127	562,112	374,199	393,981	855,326	956,093
Infrastructure	6,153,751	6,008,077	—	—	6,153,751	6,008,077
TOTAL	\$16,968,956	\$16,432,508	\$ 5,239,305	\$ 5,145,612	\$22,208,261	\$21,578,120

Additional information on Woods Cross City's capital assets can be found in Note 5.

Long-term debt. At the end of the current fiscal year, Woods Cross City had total bonded debt outstanding of \$686,534. All of Woods Cross City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds	\$ —	\$ —	\$ 686,534	\$ 919,534	\$ 686,534	\$ 919,534

Woods Cross City's total debt decreased by \$233,000 (25%) during the current fiscal year.

Additional information on Woods Cross City's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budget and Rates

- The main source of revenue for Woods Cross City is Sales Tax Revenue. It is anticipated that this source will hold to the same amount for fiscal year 2005. The economy turn around as anticipated will help this revenue source.

All of these factors were considered in preparing Woods Cross City's budget for the 2005 fiscal year.

During the current fiscal year, Woods Cross City's unreserved fund balance in the general fund increased by \$17,663. It is intended that the use of available funds will avoid the need to raise taxes or charges during the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Woods Cross City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 1555 South 800 West, Woods Cross, Utah, 84087.

BASIC FINANCIAL STATEMENTS

WOODS CROSS CITY CORPORATION**STATEMENT OF NET ASSETS****JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 125,085	\$ 44,205	\$ 169,290
Investments	2,773,371	573,983	3,347,354
Accounts receivable - net	—	93,615	93,615
Special assessment taxes receivable	10,790	—	10,790
Property taxes receivable	315,646	—	315,646
Sales taxes receivable	352,824	—	352,824
Other receivables	9,262	—	9,262
Due from other governmental units	46,062	—	46,062
Deferred bond financing cost - net	—	16,944	16,944
Investments - restricted	—	482,241	482,241
Land held for sale	89,372	—	89,372
Capital assets (net of accumulated depreciation):			
Land	7,713,652	69,652	7,783,304
Buildings	1,005,470	—	1,005,470
Improvements	1,614,956	4,795,454	6,410,410
Equipment	481,127	374,199	855,326
Infrastructure	<u>6,153,751</u>	<u>—</u>	<u>6,153,751</u>
TOTAL ASSETS	<u>\$20,691,368</u>	<u>\$ 6,450,293</u>	<u>\$27,141,661</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 987,207	\$ 50,376	\$ 1,037,583
Deposits	—	90,007	90,007
Impact fees payable	7,164	—	7,164
Deferred revenue	874	—	874
Noncurrent liabilities:			
Due within one year	—	233,534	233,534
Due in more than one year	<u>47,447</u>	<u>453,000</u>	<u>500,447</u>
TOTAL LIABILITIES	<u>\$ 1,042,692</u>	<u>\$ 826,917</u>	<u>\$ 1,869,609</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$16,968,956	\$ 4,552,771	\$21,521,727
Restricted for:			
Highways and public works	287,337	—	287,337
Parks and recreation	60,047	—	60,047
Water projects	—	406,131	406,131
Debt service	—	76,110	76,110
Unrestricted	<u>2,332,336</u>	<u>588,364</u>	<u>2,920,700</u>
TOTAL NET ASSETS	<u>\$19,648,676</u>	<u>\$ 5,623,376</u>	<u>\$25,272,052</u>

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
General government	\$ 983,122	\$ 371,292	\$ -	\$ -	\$ (611,830)
Public safety	1,566,424	322,178	43,540	-	(1,200,706)
Highways and public works	1,309,168	-	210,021	775,342	(323,805)
Parks and recreation	281,019	96,347	2,317	-	(182,355)
Interest on long-term debt	6,503	-	-	-	(6,503)
TOTAL GOVERNMENTAL ACTIVITIES	4,146,236	789,817	255,878	775,342	(2,325,199)
Business-type activities:					
Garbage utility	401,982	437,442	-	-	35,460
Water utility	588,581	618,759	-	179,231	209,409
Storm drain	10,306	83,772	-	-	73,466
TOTAL BUSINESS-TYPE ACTIVITIES	1,000,869	1,139,973	-	179,231	318,335
TOTAL	\$ 5,147,105	\$ 1,929,790	\$ 255,878	\$ 954,573	(2,006,864)
General revenues:					
Property taxes				909,768	909,768
General sales and use tax				1,731,165	1,731,165
Franchise tax				9,197	9,197
Highway tax				24,710	24,710
Telecommunications tax				57,911	57,911
Unrestricted investment earnings				60,049	84,837
Miscellaneous				10,664	10,664
Transfers				36,998	(36,998)
TOTAL GENERAL REVENUES AND TRANSFERS				2,840,462	2,828,252
CHANGE IN NET ASSETS				515,263	821,388
NET ASSETS - BEGINNING AS PREVIOUSLY REPORTED				18,827,904	24,145,155
Adjustment to deferred revenue (note 3)				305,509	305,509
NET ASSETS - BEGINNING (AS RESTATED)				19,133,413	24,450,664
NET ASSETS - ENDING				\$ 19,648,676	\$ 25,272,052

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 54,557	\$ 47,486	\$ 23,042	\$ 125,085
Investments	1,209,633	1,052,849	510,889	2,773,371
Receivables (net):				
Special assessment	10,790	-	-	10,790
Property tax	315,646	-	-	315,646
Sales tax	352,824	-	-	352,824
Other	9,262	-	-	9,262
Intergovernmental	46,062	-	-	46,062
Notes receivable - interfund	-	-	74,836	74,836
Land held for sale	-	-	89,372	89,372
TOTAL ASSETS	<u>\$ 1,998,774</u>	<u>\$ 1,100,335</u>	<u>\$ 698,139</u>	<u>\$ 3,797,248</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 987,207	\$ -	\$ -	\$ 987,207
Notes payable - interfund	-	74,836	-	74,836
Impact fees payable	5,838	-	1,326	7,164
Deferred revenue	316,520	-	-	316,520
TOTAL LIABILITIES	<u>1,309,565</u>	<u>74,836</u>	<u>1,326</u>	<u>1,385,727</u>
Fund Balances:				
Reserved for:				
Roads	89,661	-	-	89,661
Subsurface storm drain	-	-	43,102	43,102
Storm drain	-	-	154,574	154,574
Park development special revenue	-	-	60,047	60,047
Unreserved, reported in:				
General fund	599,548	-	-	599,548
Capital projects funds	-	1,025,499	439,090	1,464,589
TOTAL FUND BALANCES	<u>689,209</u>	<u>1,025,499</u>	<u>696,813</u>	<u>2,411,521</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,998,774</u>	<u>\$ 1,100,335</u>	<u>\$ 698,139</u>	<u>\$ 3,797,248</u>

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2005

Total fund balances - governmental fund types	\$ 2,411,521
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,968,956
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	315,646
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(47,447)</u>
Net assets of governmental activities	<u>\$ 19,648,676</u>

WOODS CROSS CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 2,197,279	\$ 525,335	\$ —	\$ 2,722,614
Licenses and permits	213,000	—	—	213,000
Intergovernmental	250,386	—	—	250,386
Charges for services	75,689	—	—	75,689
Impact fees	—	—	149,955	149,955
Fines and forfeitures	322,178	—	—	322,178
Investment earnings	17,735	19,734	25,755	63,224
Miscellaneous revenue	31,312	1,592	—	32,904
Sale of assets	31,452	—	—	31,452
TOTAL REVENUES	<u>3,139,031</u>	<u>546,661</u>	<u>175,710</u>	<u>3,861,402</u>
EXPENDITURES:				
Current:				
General government	1,062,325	70,999	—	1,133,324
Public safety	1,541,408	—	—	1,541,408
Highways and public works	563,502	146,905	23,797	734,204
Parks and recreation	263,914	—	242,208	506,122
Debt service:				
Interest and fiscal charges	—	6,503	—	6,503
TOTAL EXPENDITURES	<u>3,431,149</u>	<u>224,407</u>	<u>266,005</u>	<u>3,921,561</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(292,118)</u>	<u>322,254</u>	<u>(90,295)</u>	<u>(60,159)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>134,000</u>	<u>—</u>	<u>(97,002)</u>	<u>36,998</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>134,000</u>	<u>—</u>	<u>(97,002)</u>	<u>36,998</u>
NET CHANGE IN FUND BALANCES	<u>(158,118)</u>	<u>322,254</u>	<u>(187,297)</u>	<u>(23,161)</u>
FUND BALANCES - BEGINNING	<u>847,327</u>	<u>703,245</u>	<u>884,110</u>	<u>2,434,682</u>
FUND BALANCES - ENDING	<u>\$ 689,209</u>	<u>\$ 1,025,499</u>	<u>\$ 696,813</u>	<u>\$ 2,411,521</u>

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (23,161)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(216,514)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets	752,962
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	10,137
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(8,161)</u>
Change in net assets of governmental activities	<u>\$ 515,263</u>

WOODS CROSS CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES:				
Taxes	\$ 2,115,700	\$ 2,172,600	\$ 2,197,279	\$ 24,679
Licenses and permits	214,000	215,600	213,000	(2,600)
Intergovernmental	292,100	274,100	250,386	(23,714)
Charges for services	96,000	89,000	75,689	(13,311)
Fines and forfeitures	380,000	328,000	322,178	(5,822)
Investment earnings	15,000	15,000	17,735	2,735
Miscellaneous revenues	21,200	30,100	31,312	1,212
Sale of assets	89,500	32,500	31,452	(1,048)
TOTAL REVENUES	<u>3,223,500</u>	<u>3,156,900</u>	<u>3,139,031</u>	<u>(17,869)</u>
EXPENDITURES:				
Current:				
General government:				
Administrative	232,500	225,900	198,116	27,784
Legislative	84,500	82,600	70,121	12,479
Judicial	123,000	133,800	127,564	6,236
Data processing	38,100	43,400	30,069	13,331
City attorney	104,000	85,000	77,631	7,369
Non-departmental	129,500	126,100	118,960	7,140
City Hall	267,400	287,400	286,978	422
Community development	153,000	156,000	152,886	3,114
Public safety:				
Police department	1,075,000	1,070,100	1,063,054	7,046
Fire department	355,400	368,400	367,597	803
Building inspection	90,400	91,400	87,794	3,606
Animal control	11,900	13,400	13,056	344
Volunteer services	1,000	1,000	-	1,000
Liquor law enforcement	9,100	10,700	9,907	793
Highways and public works:				
Street department	192,400	164,400	146,266	18,134
Sidewalks	25,000	17,000	15,629	1,371
City shop	65,400	38,400	31,435	6,965
Road repairs and equipment - B&C	295,000	324,500	370,172	(45,672)
Parks and recreation	280,900	281,900	263,914	17,986
TOTAL EXPENDITURES	<u>3,533,500</u>	<u>3,521,400</u>	<u>3,431,149</u>	<u>90,251</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(310,000)</u>	<u>(364,500)</u>	<u>(292,118)</u>	<u>72,382</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	240,000	250,000	134,000	(116,000)
TOTAL OTHER FINANCING SOURCES AND USES	<u>240,000</u>	<u>250,000</u>	<u>134,000</u>	<u>(116,000)</u>
NET CHANGE IN FUND BALANCES	<u>(70,000)</u>	<u>(114,500)</u>	<u>(158,118)</u>	<u>(43,618)</u>
FUND BALANCES - BEGINNING	<u>847,327</u>	<u>847,327</u>	<u>847,327</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 777,327</u>	<u>\$ 732,827</u>	<u>\$ 689,209</u>	<u>\$ (43,618)</u>

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Garbage Utility</u>	<u>Water Utility</u>	<u>Storm Drain</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 2,467	\$ 40,514	\$ 1,224	\$ 44,205
Investments	54,696	492,154	27,133	573,983
Accounts receivable - net	42,744	42,638	8,233	93,615
TOTAL CURRENT ASSETS	99,907	575,306	36,590	711,803
Noncurrent assets:				
Investments - restricted	—	482,241	—	482,241
Land, equipment, buildings and improvements	—	6,844,754	—	6,844,754
Less: accumulated depreciation	—	(1,605,449)	—	(1,605,449)
Deferred bond financing costs/discounts - net	—	16,944	—	16,944
TOTAL NONCURRENT ASSETS	—	5,738,490	—	5,738,490
TOTAL ASSETS	\$ 99,907	\$ 6,313,796	\$ 36,590	\$ 6,450,293
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 29,200	\$ 7,145	\$ —	\$ 36,345
Revenue bonds payable	—	233,534	—	233,534
TOTAL CURRENT LIABILITIES	29,200	240,679	—	269,879
Noncurrent liabilities:				
Accounts payable and accrued liabilities	—	14,031	—	14,031
Deposits	—	90,007	—	90,007
Revenue bonds payable	—	453,000	—	453,000
TOTAL NONCURRENT LIABILITIES	—	557,038	—	557,038
TOTAL LIABILITIES	\$ 29,200	\$ 797,717	\$ —	\$ 826,917
Net assets:				
Invested in capital assets, net of related debt	\$ —	\$ 4,552,771	\$ —	\$ 4,552,771
Restricted for:				
Water projects	—	406,131	—	406,131
Debt service	—	76,110	—	76,110
Unrestricted	70,707	481,067	36,590	588,364
TOTAL NET ASSETS	\$ 70,707	\$ 5,516,079	\$ 36,590	\$ 5,623,376

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds			
	Garbage Utility	Water Utility	Storm Drain	Total
OPERATING REVENUES:				
Water sales	\$ -	\$ 433,045	\$ -	\$ 433,045
Water impact fees	-	172,224	-	172,224
Water meter and turn on fees	-	13,490	-	13,490
Garbage pickup fees	437,442	-	-	437,442
Storm drain fees	-	-	83,772	83,772
TOTAL OPERATING REVENUES	<u>437,442</u>	<u>618,759</u>	<u>83,772</u>	<u>1,139,973</u>
OPERATING EXPENSES:				
Salaries and wages	11,200	143,561	-	154,761
Employee benefits	2,995	55,916	-	58,911
Seminar and conventions	-	3,405	-	3,405
Office supplies	-	8,687	-	8,687
Maintenance and repairs	12,068	26,738	-	38,806
City Hall	4,262	8,124	-	12,386
Utilities	-	56,390	-	56,390
Telephone	-	2,411	-	2,411
Professional services	-	53,619	2,263	55,882
Insurance	-	1,589	-	1,589
Depreciation	-	157,709	-	157,709
Miscellaneous	-	28,512	8,043	36,555
Water purchases	-	11,400	-	11,400
Waste collection and disposal	370,585	-	-	370,585
Amortization of bond financing costs	-	2,118	-	2,118
TOTAL OPERATING EXPENSES	<u>401,110</u>	<u>560,179</u>	<u>10,306</u>	<u>971,595</u>
OPERATING INCOME	<u>36,332</u>	<u>58,580</u>	<u>73,466</u>	<u>168,378</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	1,388	23,278	122	24,788
Interest expense and fiscal charges	(872)	(28,402)	-	(29,274)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>516</u>	<u>(5,124)</u>	<u>122</u>	<u>(4,486)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>36,848</u>	<u>53,456</u>	<u>73,588</u>	<u>163,892</u>
Capital contributions - water lines	-	179,231	-	179,231
Transfers (out)	-	-	(36,998)	(36,998)
CHANGE IN NET ASSETS	<u>36,848</u>	<u>232,687</u>	<u>36,590</u>	<u>306,125</u>
TOTAL NET ASSETS - BEGINNING	<u>33,859</u>	<u>5,283,392</u>	<u>-</u>	<u>5,317,251</u>
TOTAL NET ASSETS - ENDING	<u>\$ 70,707</u>	<u>\$ 5,516,079</u>	<u>\$ 36,590</u>	<u>\$ 5,623,376</u>

The notes to the financial statements are an integral part of this statement.

WOODS CROSS CITY CORPORATION**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Garbage Utility</u>	<u>Water Utility</u>	<u>Storm Drain</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 437,815	\$ 631,653	\$ 75,539	\$ 1,145,007
Payments to suppliers	(386,915)	(200,728)	(10,306)	(597,949)
Payments to employees	(14,195)	(199,477)	—	(213,672)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>36,705</u>	<u>231,448</u>	<u>65,233</u>	<u>333,386</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	—	—	(36,998)	(36,998)
NET CASH (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>—</u>	<u>—</u>	<u>(36,998)</u>	<u>(36,998)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	—	(72,171)	—	(72,171)
Principal paid on capital debt	—	(233,000)	—	(233,000)
Interest paid on capital debt	—	(28,402)	—	(28,402)
Principal paid on interfund debt	(22,424)	—	—	(22,424)
Interest paid on interfund debt	(872)	—	—	(872)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(23,296)</u>	<u>(333,573)</u>	<u>—</u>	<u>(356,869)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net proceeds from sales (purchases) of investments	(14,948)	56,448	(27,133)	14,367
Interest received	<u>1,388</u>	<u>23,278</u>	<u>122</u>	<u>24,788</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(13,560)</u>	<u>79,726</u>	<u>(27,011)</u>	<u>39,155</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(151)	(22,399)	1,224	(21,326)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,618</u>	<u>62,913</u>	<u>—</u>	<u>65,531</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,467</u>	<u>\$ 40,514</u>	<u>\$ 1,224</u>	<u>\$ 44,205</u>

See accompanying notes to general purpose financial statements.

WOODS CROSS CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Garbage Utility</u>	<u>Water Utility</u>	<u>Storm Drain</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	<u>\$ 36,332</u>	<u>\$ 58,580</u>	<u>\$ 73,466</u>	<u>\$ 168,378</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	157,709	-	157,709
Amortization expense	-	2,118	-	2,118
Decrease (increase) in accounts receivable	373	6,298	(8,233)	(1,562)
Increase in accounts payable and accrued liabilities	-	147	-	147
Increase in deposits	-	6,596	-	6,596
TOTAL ADJUSTMENTS	<u>373</u>	<u>172,868</u>	<u>(8,233)</u>	<u>165,008</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 36,705</u>	<u>\$ 231,448</u>	<u>\$ 65,233</u>	<u>\$ 333,386</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital contributions - water lines	<u>\$ -</u>	<u>\$ 179,231</u>	<u>\$ -</u>	<u>\$ 179,231</u>

NOTES TO FINANCIAL STATEMENTS

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Woods Cross City Corporation is a municipal corporation governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. Woods Cross City Corporation has no discretely presented component units and is itself not a component unit of any other entity. The City's blended component unit has a June 30 year end.

Blended Component Units

The City's Redevelopment Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

Complete financial statements for the component unit may be obtained at the City's administrative offices.

Woods Cross City Corporation
1555 South 800 West
Woods Cross, UT 84087

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *redevelopment agency* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The government reports the following major proprietary funds:

The *water utility fund* accounts for the activities of the water distribution system of the City.

The *garbage utility fund* accounts for the activities of the solid waste collection system of the City.

The *storm drain fund* accounts for the activities of the storm drain system of the City.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and garbage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility enterprise fund and of the Garbage Utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (continued)

applied to each fund budget is the same basis as the related fund's financial statements. The following are the legal procedures followed by the City:

- 1) On or before the first regularly scheduled meeting of the City Council in May, the City Administrator, authorized under state statute to be appointed budget officer, submits a proposed operating budget for governmental fund types for which budgetary control is required by Utah State statute (i.e., General Fund, and Capital Projects Funds), and an operating and capital budget for all proprietary fund types for the subsequent fiscal year. The budget documents include the proposed budget amounts requested by the department heads, along with the proposed budget amounts requested by the City Administrator.
- 2) A public hearing is held to receive input on all aspects of the proposed budget. The hearing is preceded by a notice in the local newspaper. The notice is given at least seven days before the hearing and includes the time, date, and place of the hearing. All budget documents are required to be available for public inspection ten days prior to the public hearing.
- 3) On or before June 22, a final balanced budget must be adopted for the subsequent fiscal year beginning July 1.
- 4) The legal budgetary control is maintained at the departmental level. The City Administrator, however, acting as budget officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- 5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- 6) A public hearing, as required in (2) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- 7) Monthly interim financial reports are prepared by the City Recorder and presented to the City Council. These reports contain a budgetary statement showing a comparison of budget to actual for all budgetary funds of the City. Special budgetary reports, using an operating and capital expenditure concept, are prepared for proprietary funds.

The budget presented for the General Fund is designated as a revised budget. Throughout the year, the City Council approves all expenditures and makes amendments to the City's budget. Near year end, the City Council makes final amendments to the budget.

The budget passed for the Capital Projects Funds is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

No budget is presented in these financial statements for the Proprietary Funds. State law allows the City Council to amend the Proprietary Funds budget without public hearing or public notice.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the garbage utility, water utility, and storm drain funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "notes receivable-interfund" or "notes payable-interfund" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

H. Restricted Investments

Certain resources set aside for bond repayment are classified as restricted investments on the statement of net assets of the proprietary fund financial statements because their use is limited by applicable bond covenants. Other investment accounts are restricted by state law.

I. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, fixed assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1980) have been valued at estimated historical cost.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Property, plant and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	15-60
Infrastructure	20-50
Machinery and equipment	7-15
Vehicles	5
Office equipment	5

J. Fund Equity

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

K. FICA Taxes

Certain employees of Woods Cross City Corporation are exempt from withholding and paying FICA taxes.

L. Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Employees may convert a portion of accrued sick leave to pay each year. If an employee retires as a member of the Utah State Retirement System, one-third of unused sick leave will be used to pay medical insurance premiums.

M. Bond Discounts/Issuance Costs

In the government-wide statements costs of issuing bonds are capitalized and amortized on a straight-line basis over the life of the bonds. During the fiscal year ended June 30, 2005 the amortization expense related to deferred bond financing costs amounted to \$2,118.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

O. Taxes and Other Significant Revenue

Property tax is assessed, levied, and collected by the county governments in the state of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a tax rate of .007 of the market value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year. Taxes on an individual piece of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a routine basis.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes due from the tax commission for the period ended June 30, 2005.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$(216,514) difference are as follows:

Capital outlay	\$ 633,715
Depreciation expense	<u>(850,229)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (216,514)</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donation) is to increase net assets". The details of this \$752,962 difference are as follows:

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold	\$ (22,380)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	<u>775,342</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 752,962</u>

3. RESTATEMENT OF NET ASSETS

Prior Period Adjustments

The City recognized a receivable for property taxes levied on January 1st in the general fund at June 30, 2005. Because the cash was not available to finance expenditures of the current fiscal period, the receivable was offset by a corresponding liability for unavailable revenue in the governmental funds.

In the government-wide financial statements, which are reported under the accrual basis of accounting, the amount of the receivable at June 30, 2005 should be recognized as revenue. In prior years, this accrual was not recognized as revenue in the government-wide statement of activities. As a result, the following prior period adjustment is necessary to recognize property tax revenue in the prior year:

	<u>Governmental Activities</u>
NET ASSETS - BEGINNING AS PREVIOUSLY REPORTED	\$ 18,827,904
Adjustment to deferred revenue	<u>305,509</u>
NET ASSETS - BEGINNING (AS RESTATED)	<u>\$ 19,133,413</u>

4. CASH AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CASH AND INVESTMENTS (CONTINUED)

are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ -	\$ 941
Cash on deposit	<u>170,304</u>	<u>168,349</u>
 TOTAL	 <u>\$ 170,304</u>	 <u>\$ 169,290</u>

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$70,304 of the City's bank balances of \$170,304 were uninsured and uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CASH AND INVESTMENTS (CONTINUED)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
State of Utah Public Treasurer's Investment Fund	\$3,829,595	\$3,829,595	\$ -	\$ -	\$ -

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2005, the City's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 7,400,366	\$ 313,286	\$ —	\$ 7,713,652
Capital assets being depreciated:				
Machinery and equipment	1,120,422	80,404	(69,452)	1,131,374
Buildings	1,364,845	—	—	1,364,845
Improvements	1,727,314	240,025	—	1,967,339
Infrastructure	<u>20,014,284</u>	<u>775,342</u>	<u>—</u>	<u>20,789,626</u>
Total capital assets being depreciated	24,226,865	1,095,771	(69,452)	25,253,184
Less accumulated depreciation for:				
Machinery and equipment	\$ (558,310)	\$(139,009)	\$ 47,072	\$ (650,247)
Buildings	(331,543)	(27,832)	—	(359,375)
Improvements	(298,663)	(53,720)	—	(352,383)
Infrastructure	<u>(14,006,207)</u>	<u>(629,668)</u>	<u>—</u>	<u>(14,635,875)</u>
Total accumulated depreciation	(15,194,723)	(850,229)	47,072	(15,997,880)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>9,032,142</u>	<u>245,542</u>	<u>(22,380)</u>	<u>9,255,304</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$16,432,508</u>	<u>\$ 558,828</u>	<u>\$ (22,380)</u>	<u>\$16,968,956</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 69,652	\$ —	\$ —	\$ 69,652
Capital assets being depreciated:				
Machinery and equipment	526,211	10,000	—	536,211
Improvements	<u>5,997,489</u>	<u>241,402</u>	<u>—</u>	<u>6,238,891</u>
Total capital assets being depreciated	6,523,700	251,402	—	6,775,102
Less accumulated depreciation for:				
Machinery and equipment	(132,230)	(29,782)	—	(162,012)
Improvements	<u>(1,315,510)</u>	<u>(127,927)</u>	<u>—</u>	<u>(1,443,437)</u>
Total accumulated depreciation	(1,447,740)	(157,709)	—	(1,605,449)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>5,075,960</u>	<u>93,693</u>	<u>—</u>	<u>5,169,653</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 5,145,612</u>	<u>\$ 93,693</u>	<u>\$ —</u>	<u>\$ 5,239,305</u>

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:

General government	\$ 92,178
Public safety	65,616
Highway and public works	666,650
Parks and recreation	<u>25,785</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES **\$ 850,229**

BUSINESS-TYPE ACTIVITIES:

Water	<u>\$ 157,709</u>
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TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES **\$ 157,709**

6. LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. No general obligation bonds have been issued for governmental activities in prior years nor during the current year.

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$1,414,000 for business-type activities. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water reservoir - Water Utility Fund	3.10%	\$ 131,534
Refunding bond - Water Utility Fund	2.25 - 3.95%	<u>555,000</u>
TOTAL		<u>\$ 686,534</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 233,534	\$ 26,342
2007	105,000	14,451
2008	109,000	10,865
2009	113,000	6,922
2010	117,000	2,608
2011-2015	<u>9,000</u>	<u>177</u>
TOTAL	<u>\$ 686,534</u>	<u>\$ 61,365</u>

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
Accrued Compensated Absences	\$ 39,286	\$ 8,161	\$ —	\$ 47,447	\$ —
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 39,286</u>	<u>\$ 8,161</u>	<u>\$ —</u>	<u>\$ 47,447</u>	<u>\$ —</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue Bonds Payable:					
2001 Water Bonds	\$ 264,534	\$ —	\$ (133,000)	\$ 131,534	\$ 131,534
2002 Water Refunding Bonds	<u>655,000</u>	<u>—</u>	<u>(100,000)</u>	<u>555,000</u>	<u>102,000</u>
TOTAL BONDS PAYABLE	<u>919,534</u>	<u>—</u>	<u>(233,000)</u>	<u>686,534</u>	<u>233,534</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 919,534</u>	<u>\$ —</u>	<u>\$ (233,000)</u>	<u>\$ 686,534</u>	<u>\$ 233,534</u>

7. CONDUIT DEBT OBLIGATIONS

During the year ended June 30, 2005, the City issued industrial development bonds to provide financial assistance to a private-sector entity for the acquisition, construction, and furnishings of manufacturing facilities and related improvements deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2005, there had been two series of industrial development bonds issued. The original issue amounts total \$2,649,000.

8. CITY EMPLOYEE RETIREMENT PLAN

Eligible City employees are participants in the Utah State Retirement Systems. The State Retirement Systems are multiple employers, cost sharing retirement systems providing defined benefits based on years of service and highest average salaries. These systems cover substantially all eligible public employees of the State of Utah and educational employees, as well as participating local governmental entities.

The Systems are established and governed by the respective section of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1 (801) 365-8772.

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Woods Cross City is legally obligated to contribute to the retirement systems as long as they have employees meeting membership requirements. The contribution rates in effect at June 30, 2005 are as follows figured on the total salary for the eligible employees. The member contributions may be deducted from the payroll or paid by the employer in behalf of the member.

	<u>Employee Paid</u>	<u>Contribution Rates Employer Paid for Employee</u>	<u>Matching</u>
State Retirement – Contributory	–	6.00%	7.08%
Public Employees Retirement – Noncontributory	–	N/A	11.09%
Public Safety Retirement – Contributory	–	10.50%	12.35%
Public Safety Retirement – Noncontributory	–	N/A	22.17%

The contributions by Woods Cross City for the 2004/2005 year were paid by the due dates or within thirty days thereafter.

The amount of Employees' contributions paid for the 2004/2005 fiscal year and the two previous years are as follows:

	<u>Year Ended June 30</u>	<u>Employee paid Contributions</u>	<u>Employer paid for employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary subject to retirement Contributions</u>
Local Governmental– Contributory	2005	N/A	\$ 3,487	\$ 4,115	\$ 58,123
	2004	N/A	3,460	3,235	57,671
	2003	N/A	3,217	2,509	53,620
Local Governmental– Noncontributory	2005	N/A	N/A	\$54,600	\$492,336
	2004	N/A	N/A	48,367	502,779
	2003	N/A	N/A	40,677	468,083
Public Safety–Contributory	2005	N/A	\$25,863	\$30,420	\$246,316
	2004	N/A	29,108	10,705	236,842
	2003	N/A	28,221	4,983	229,628
Public Safety– Noncontributory	2005	N/A	N/A	\$57,803	\$260,725
	2004	N/A	N/A	41,845	257,663
	2003	N/A	N/A	29,596	213,069
401(k) Contributions	2005	\$20,727	\$37,769	N/A	N/A
	2004	22,925	37,159	N/A	N/A
	2003	21,008	35,993	N/A	N/A
457 Plan Contributions	2005	\$ 2,762	\$ 8,785	N/A	N/A
	2004	3,679	7,242	N/A	N/A
	2003	3,122	2,535	N/A	N/A

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

The City participates in a defined contribution plan, a 401(k) plan, and a 457 plan, as reported. Contributions may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement.

9. REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17A-2-1217(3), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2005:

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2005</u>
Gateway Projects	\$ 78,975
1500 South Project	348,604
500 South Project	<u>97,756</u>
TOTAL INCREMENT RECEIVED	<u>\$ 525,335</u>

B. The Woods Cross Redevelopment Agency is obligated to pay certain tax increment proceeds to a special fund of the Bountiful Redevelopment Agency, to be used to retire the debts of a combined Woods Cross and Bountiful Redevelopment Agency project. Total payments of \$76,156 were paid during 2005. Payments are required through the year 2012.

C. The Agency owed \$74,836 to other funds at June 30, 2005. Annual funding requirements are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,667	\$ 5,532	\$ 18,199
2007	13,719	4,480	18,199
2008	14,848	3,351	18,199
2009	16,090	2,109	18,199
2010	<u>17,512</u>	<u>687</u>	<u>18,199</u>
	<u>\$ 74,836</u>	<u>\$ 16,159</u>	<u>\$ 90,995</u>

D. The agency expended the following during the year:

	<u>Gateway Project</u>	<u>1500 South</u>	<u>500 South</u>	<u>Housing</u>
Administrative and public works	\$ 5,045	\$ 86,971	\$ 16,222	\$ 33,510
Debt payment-tax increment and interest	<u>76,156</u>	<u>-</u>	<u>6,503</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 81,201</u>	<u>\$ 86,971</u>	<u>\$ 22,725</u>	<u>\$ 33,510</u>

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. ASSESSED VALUATION AND TAX LEVIES

The figures are based on the County calendar year end of December 31, 2004, and include current year collections only. For 2004 the assessed valuation was \$321,927,000 and the certified tax rate was .000949.

11. INTERFUND NOTES

The Redevelopment Agency has a note payable to the Capital Improvement Development Fund in the amount of \$74,836 at June 30, 2005. The next yearly payment is due in January 2006 in the amount of \$12,667 (excluding interest). Payments are due through January 2010, interest is stated at 8%.

12. COMMITMENTS

The City has entered into an agreement to pay Bountiful City 100% of the tax increment received for the Gateway Project area until the year 2012.

During the year, the City entered into a contract for construction of roads. As of June 30, 2005, there was approximately \$136,000 outstanding on the contract.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Utah Local Government Trust (a public entity risk pool).

All claims are submitted to the Utah Local Government Trust, which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. All claims are subject to a \$500 deductible. The deductible is accrued as a current liability when the claim is incurred. The Utah Local Government Trust covers claims up to \$10,000. The City has not incurred a claim in excess of its coverage for any of the past three fiscal years.

OTHER SUPPLEMENTARY INFORMATION

WOODS CROSS CITY CORPORATION**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS****JUNE 30, 2005**

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Projects Fund</u>	<u>Subsurface Storm Drain</u>	<u>Storm Drain</u>	<u>Park Development Special Revenue</u>	
ASSETS					
Cash and cash equivalents	\$ 11,863	\$ 1,860	\$ 6,728	\$ 2,591	\$ 23,042
Investments	263,019	41,242	149,172	57,456	510,889
Notes receivable-interfund	74,836	—	—	—	74,836
Land held for sale	89,372	—	—	—	89,372
TOTAL ASSETS	\$ 439,090	\$ 43,102	\$ 155,900	\$ 60,047	\$ 698,139
LIABILITIES AND FUND BALANCES					
Liabilities:					
Impact fees payable	\$ —	\$ —	\$ 1,326	\$ —	\$ 1,326
TOTAL LIABILITIES	—	—	1,326	—	1,326
Fund balances:					
Reserved for:					
Subsurface storm drain	—	43,102	—	—	43,102
Storm drain	—	—	154,574	—	154,574
Park development special revenue	—	—	—	60,047	60,047
Unreserved	439,090	—	—	—	439,090
TOTAL FUND BALANCES	439,090	43,102	154,574	60,047	696,813
TOTAL LIABILITIES AND FUND BALANCES	\$ 439,090	\$ 43,102	\$ 155,900	\$ 60,047	\$ 698,139

WOODS CROSS CITY CORPORATION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Projects Fund</u>	<u>Subsurface Storm Drain</u>	<u>Storm Drain</u>	<u>Park Development Special Revenue</u>	
REVENUES:					
Impact fees	\$ —	\$ 2,100	\$ 51,508	\$ 96,347	\$ 149,955
Investment earnings	<u>17,527</u>	<u>942</u>	<u>3,507</u>	<u>3,779</u>	<u>25,755</u>
TOTAL REVENUES	<u>17,527</u>	<u>3,042</u>	<u>55,015</u>	<u>100,126</u>	<u>175,710</u>
EXPENDITURES:					
Highways and public works	—	—	23,797	—	23,797
Parks and recreation	<u>—</u>	<u>—</u>	<u>—</u>	<u>242,208</u>	<u>242,208</u>
TOTAL EXPENDITURES	<u>—</u>	<u>—</u>	<u>22,797</u>	<u>242,208</u>	<u>266,005</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>17,527</u>	<u>3,042</u>	<u>31,218</u>	<u>(142,082)</u>	<u>(90,295)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	<u>(134,000)</u>	<u>—</u>	<u>36,998</u>	<u>—</u>	<u>(97,002)</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>(134,000)</u>	<u>—</u>	<u>36,998</u>	<u>—</u>	<u>(97,002)</u>
NET CHANGE IN FUND BALANCES	(116,473)	3,042	68,216	(142,082)	(187,297)
FUND BALANCES - BEGINNING	<u>555,563</u>	<u>40,060</u>	<u>86,358</u>	<u>202,129</u>	<u>884,110</u>
FUND BALANCES - ENDING	<u>\$ 439,090</u>	<u>\$ 43,102</u>	<u>\$ 154,574</u>	<u>\$ 60,047</u>	<u>\$ 696,813</u>



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
Woods Cross City, Utah

We have audited the financial statements of Woods Cross City Corporation as of and for the year ended June 30, 2005, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woods Cross City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woods Cross City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

September 23, 2005



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INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

To The Honorable Mayor and
Members of the City Council
Woods Cross City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Woods Cross City Corporation, for the year ended June 30, 2005 and have issued our report thereon dated September 23, 2005. Our audit included test work on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property Tax Limitations	Uniform Building Code Standards
Impact Fees	

The City did not receive any major or nonmajor State grants during the year ended June 30, 2005.

The management of Woods Cross City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Woods Cross City Corporation, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

Pinnock, Robbins, Posey & Richins

September 23, 2005



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To The Honorable Mayor and
Members of the City Council
Woods Cross City, Utah

Woods Cross City Corporation is ultimately responsible for the financial condition of the City, and for the City's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines the fiscal responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the City, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

LEGAL COMPLIANCE MATTERS

General Fund Balance

During our audit, we noted the general fund balance is over the legal allowable limit of 18% of total budgeted revenue of the general fund.

Recommendation

We recommend that the final budget takes into account the remaining fund balance in the general fund and that any amounts over the legal limits be appropriated as part of the final budget for specific capital projects that have been approved.

Management's Response

Management will scrutinize the budget prior to the end of the fiscal year to determine what funds need to be moved to the capital improvement fund for future capital projects.

Treasurer's Fidelity Bond

During our audit, we noted that the fidelity bond for the City Treasurer is not adequate. State law requires that the public treasurer secure a fidelity bond based on a percentage of the prior year's budgeted gross revenues. Based on this calculation, the City is not in compliance with State law.

Recommendation

We recommend that the City increase the treasurer's fidelity bond to at least the minimum required by State law.

Management's Response

The under funding of the fidelity bond for the City Treasurer was an oversight that has been corrected, and the appropriate level of the bond has already been procured for the treasurer.

Over-Expenditure of Legally Adopted Budgets

During our audit, we noted that the following department over-expended its legally adopted budget:

a. General Fund - Road Repairs and Equipment - B&C \$45,672

Recommendation

We recommend that City management carefully prepare and monitor all financial data so that the City will be able to follow all legal fiscal requirements.

Management's Response

Due to the seasonal nature of expenditures in the B & C Road Fund, a number of projects span over two fiscal years, since most of the projects are done in the summer. The over expenditure was due to a misclassification of a fiscal year 2005 expenditure into the fiscal year 2006 budget. Because of this misclassification, the budget wasn't adjusted to reflect the cost of the project. Management will more closely scrutinize construction projects to ensure that they are properly budgeted.

We sincerely appreciate the cooperation we received from the management and employees of the City during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to again serve as your auditors. If you have any questions regarding any of the matters discussed, please feel free to contact us.

Pinnock, Robbins, Posey & Richins

PINNOCK, ROBBINS, POSEY & RICHINS, PC